

Message Text

UNCLASSIFIED

PAGE 01 STOCKH 03603 291247Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00
AID-05 CIAE-00 COME-00 EB-08 FRB-01 INR-07
NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04
SIL-01 OMB-01 SS-15 STR-04 CEA-01 AGRE-00 L-03
H-02 IO-14 DODE-00 PA-02 PRS-01 FSE-00 ABF-01
/107 W

-----097837 291254Z /46

O R 291158Z AUG 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC IMMEDIATE 1487
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BELGRADE
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LISBON
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY VIENNA

UNCLAS STOCKHOLM 3603

USEEC
USOEC
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STOCKH 03603 291247Z

E.O. 11652: N/A
TAGS: EFIN, SW
SUBJECT: SWEDEN LEAVES SNAKE AND WILL SET KRONA IN RELATION TO
BASKET OF CURRENCIES

REF: STOCKHOLM 3446

1. ON THE MORNING OF AUGUST 29, THE BOARD OF SWEDEN'S RIKSBANK, FOLLOWING CONSULTATION WITH THE GOVERNMENT, ANNOUNCED THAT SWEDEN HAS DECIDED TO LEAVE THE JOINT EUROPEAN MONETARY FLOAT, OR "SNAKE." INSTEAD, THE RATE OF THE SWEDISH KRONA WILL BE IN RELATION TO A "BASKET" OF FOREIGN CURRENCIES, DEFINED AS THE WEIGHTED AVERAGE OF THE 15 CURRENCIES THAT ARE MOST IMPORTANT FOR SWEDEN'S FOREIGN TRADE. IN CONJUNCTION WITH SWEDEN'S LEAVING THE SNAKE, THE VALUE OF THE KRONA IN RELATION TO THE EFFECTIVE EXCHANGE RATE INDEX OF THE "BASKET" WILL BE DEPRECIATED BY 10 PERCENT.

2. IN ORDER TO PREVENT THE CHANGED EXCHANGE RATE OF THE KRONA FROM GIVING RISE TO A "PRICE-INFLATING SPIRAL" THE SWEDISH GOVERNMENT ANNOUNCED ON THE SAME DAY THAT A GENERAL PRICE FREEZE WILL BE IMPOSED TO REMAIN IN EFFECT FROM NOW UNTIL OCTOBER 31, 1977. PRICES WILL BE FROZEN AT THE LEVEL WHICH PREVAILED ON AUGUST 26, 1977. WHEN THE PRICE FREEZE IS LIFTED AT THE END OF OCTOBER, IT WILL BE REPLACED BY A SYSTEM OF INTENSIVE PRICE SURVEILLANCE.

3. AT A PRESS CONFERENCE GIVEN BY THE GOVERNMENT ON AUGUST 29 (DETAILS OF WHICH WILL BE TRANSMITTED IN A SUBSEQUENT TELEGRAM), THE GOVERNMENT EMPHASIZED UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STOCKH 03603 291247Z

THAT IF THE DEPRECIATION OF SWEDISH CURRENCY IS TO HAVE THE DESIRED EFFECT, DOMESTIC CONSUMPTION MUST BE RESTRAINED AND PUBLIC EXPENDITURE MUST BE HELD BACK. IN ORDER TO STIMULATE EXPORTS AND ASSIST IN COUNTER-ACTING THE COST-INFLATING EFFECT ON IMPORTS WHICH THE CHANGED KRONA RATE WILL HAVE, THE GOVERNMENT ALSO ANNOUNCED THAT IT PLANS TO REDUCE THE CURRENT PAYROLL TAX LEVIED ON EMPLOYERS FROM FOUR PERCENT TO TWO PERCENT, EFFECTIVE JANUARY 1, 1978.

4. THE SWEDISH RADIO ALSO REPORTED ON THE MORNING OF AUGUST 29 THAT BOTH DENMARK AND NORWAY HAD DECIDED TO DEPRECIATE THEIR RESPECTIVE CURRENCIES BY FIVE PERCENT AGAINST THE DEUTSCHE MARK. IN CONTRAST TO SWEDEN, BOTH THESE COUNTRIES DECIDED TO REMAIN WITHIN THE SNAKE.

5. EMBASSY COMMENTS FOLLOW.
PERRY

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WITHDRAWAL OF MEMBERSHIP, ECONOMIC CONDITIONS, KRONA, CURRENCIES, ECONOMIC PROGRAMS, CAPITAL FLOWS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STOCKH03603
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770311-0780
Format: TEL
From: STOCKHOLM USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770811/aaaaaiut.tel
Line Count: 113
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 07072250-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STOCKHOLM 3446
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1430781
Secure: OPEN
Status: NATIVE
Subject: SWEDEN LEAVES SNAKE AND WILL SET KRONA IN RELATION TO BASKET OF CURRENCIES
TAGS: EFIN, ETRD, SW, SNAKE
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/07072250-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009